



MULTISTATE TAX COMMISSION

To: Executive Committee
From: Joe Huddleston, Executive Director
Date: July 22, 2011
Subject: **Report on Appropriated Funds & Recommendation**

At its June 6, 2011, meeting, the Executive Committee requested that the staff study the appropriated funds, and provide a report and recommendation for the committee to consider at its meeting in July. The following report and recommendation is submitted for consideration.

Background

As of June 30, 2011 the Multistate Tax Commission had six separate appropriated funds in existence. The table below lists the names and amount of these funds (in order of formation from top to bottom):

DESCRIPTION	AMOUNT
Enterprise Automation	\$287,795
Nexus Legal Activities	90,000
Membership Development and Relations	28,855
Federalism at Risk	25,146
State Tax Compliance	23,918
Equipment Reserve	0
TOTAL	\$455,714.

A description of purpose and brief history of each fund can be found in the attachment. [Note: This information can also be found in the notes to the annually audited financial statements of the Multistate Tax Commission].

The Membership Development and Relations fund, Federalism at Risk fund, and State Tax Compliance fund have all served the purpose intended for the fund and any amounts remaining are residual following expenditures from the fund.

The Nexus Legal Activities fund had an expenditure of \$10,000 in FY2003 but has otherwise has been dormant.

The Enterprise Automation and Equipment Reserve funds continue to be used. The Equipment Reserve fund will receive additional funding from the FY2011 surplus.

Recommendation

Because the following funds have completed their useful existence or otherwise have been dormant for an extended period, I recommend that the Executive Committee approve the transfer of all balances remaining in the following funds to the Enterprise Automation fund:

DESCRIPTION	AMOUNT
Nexus Legal Activities	\$90,000
Membership Development and Relations	28,855
Federalism at Risk	25,146
State Tax Compliance	23,918
TOTAL	\$167,919

The Commission is still pursuing an Automated Audit Program Software Project to modernize the internal information technology supporting the Joint Audit Program. Based on information received in response a Request for Information (RFI) issued for this project, the total funding required will likely be more than \$500,000. Thus, adding the \$167,919 from dormant appropriated funds to the existing Enterprise Automation fund balance of \$287,795, will bring the balance to \$455,714, approximately that needed to fund the project.

Attachment

**MULTISTATE TAX COMMISSION
APPROPRIATED FUNDS**

The Commission's executive committee authorized the Enterprise Automation fund in the amount of \$73,000 during the year ended June 30, 1997. An additional \$614,298 has been authorized in subsequent years. The purpose of this fund is to provide support, through professional services, for developing enterprise-wide applications for managing the Commission information resources in a manner that enhances its operations.

The Commission's executive committee authorized the Nexus Legal Activities fund in the amount of \$80,000 during the year ended June 30, 1997. An additional net amount of \$20,000 has been authorized in subsequent years. There was a \$10,000 expenditure of funds in FY 2003. The purpose of this fund is to provide support for Commission nexus activities including, a) research and writing on Constitutional nexus issues and b) a reserve for professional services to support work on potential nexus cases in litigation.

The Commission's executive committee authorized the Membership Development and Relations fund in the amount of \$150,000 during the year ended June 30, 2000. The purpose of this fund is to support efforts aimed at increasing membership.

The Commission's executive committee authorized the Federalism at Risk fund in the amount of \$120,000 during the year ended June 30, 2002. The purpose of this fund is to provide support for an inquiry to assess the status of state and local tax systems. This inquiry culminated in a written report published in 2003.

The Commission's executive committee authorized the State Tax Compliance fund in the amount of \$23,918 during the year ended June 30, 2004. The purpose of this fund is to support the implementation of the recommendations of the Commission's State Tax Compliance Initiative and the measures to improve state tax compliance by multi state taxpayers as approved by the Executive Committee or Commission.

The Commission's executive committee authorized the Equipment Reserve fund in the amount of \$17,500 during the year ended June 30, 2009. It is anticipated that this fund will be added to each fiscal year. The purpose of this fund is to provide support for purchases of computer equipment for the Commission's audit program. These purchases now occur approximately every three years.